

Message Text

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SUBJECT: CENTRAL EUROPE PIPELINE SYSTEM-US CONTRIBUTION
TO OPERATING DEFICIT

REF: A. USNATO 4069; B. STATE 162798

1. AS PREDICTED REF A, FOLLOWING LETTER TO AMBASSADOR RUMSFELD,
DATED 1 AUG, FROM COL HOLDEN, CHAIRMAN, CENTRAL EUROPE PIPELINE
POLICY COMMITTEE:

BEGINING TEXT.

YOUR EXCELLENCY, I HAVE THE HONOUR TO INFORM YOU THAT AT THE
LAST MEETING OF THE CENTRAL EUROPE PIPELINE POLICY COMMITTEE,
HELD AT NATO HEADQUARTERS ON 18TH AND 19TH JULY, I WAS INVITED
TO DRAW TO YOUR ATTENTION THE SERIOUS SITUATION ARISING FROM
THE REFUSAL BY THE UNITED STATES TO PAY IN FULL ITS SHARE OF THE
OPERATING COSTS AS AGREED UNDER THE EXISTING COST SHARING FORMULA
FOR THE CENTRAL EUROPE PIPELINE SYSTEM.

YOU WILL BE AWARE THAT UNDER THIS FORMULA THE UNITED STATES
CONTRIBUTION AMOUNTS TO 36.07 PCT. HOWEFER, FOLLOWING
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A STATEMENT MADE BY YOUR REPRESENTATIVE TO THE CENTRAL EUROPE
PIPELINE POLICY COMMITTEE AT ITS MEEITNG IN NOVEMBER 1973-
IN WHICH HE EXPLAINED THAT YOUR AUTHORITIES CONSIDERED THE EXIST-
ING COST SHARING FORMULA WAS NO LONGER JUST OR REALISTIC-

THE UNITED STATES WITHHELD PAYMENT OF THEIR FULL SHARE PENDING ACCEPTANCE OF A NEW FORMULA. IN JUNE OF THIS YEAR IN RESPONSE TO THE URGENT REQUEST OF THE COMMITTEE, THE UNITED STATES REPRESENTATIVE AGREED TO CONTRIBUTE 12PCT, I.E. ONE THIRD OF YOUR AGREED SHARE, TO ALLEVIATE A PRESSING PROBLEM OF LIQUIDITY. HE FURTHER STATED THAT YOUR AUTHORITIES HAD HOPED, WHEN PLACING THEIR RESERVATION IN NOVEMBER 1973, THAT A NEW COST SHARING FORMULA WOULD HAVE BEEN AGREED BEFORE JUNE: HAD THIS BEEN ACHIEVED, THERE WOULD HAVE BEEN NO REQUIREMENT FOR THE PRESENT EMERGENCY ACTION. EFFORTS TO REACH AGREEMENT CONTINUE AND THE CENTRAL EUROPE PIPELINE POLICY COMMITTEE MEETS AGAIN EARLY IN SEPTEMBER TO DISCUSS REPLIES FROM NATIONS TO NEW PROPOSALS PRESENTED AT OUR LAST MEETING. IF THE COMMITTEE CANNOT THEN REACH AN AGREEMENT IT IS MY INTENTION TO RECOMMEND THAT IT SHOULD MEET IN PERMANENT REPRESENTATIVE SESSION TO DISCUSS THE MATTER, WHICH IS, OF COURSE, ONE TO BE RESOLVED BY THE EIGHT NATIONS FORMING THE CENTRAL EUROPE PIPELINE SYSTEM.

THE GENERAL MANAGER OF THE CENTRAL EUROPE OPERATING AGENCY ADVISES THAT IF NO AGREEMENT IS REACHED AND THE UNITED STATES CONTINUES TO WITHHOLD APPROXIMATELY TWO THIRDS OF ITS CONTRIBUTION, THE PIPELINE SYSTEM WILL BECOME INSOLVENT AT THE END OF OCTOBER AND IT WILL BE NECESSARY FOR HIM FORMALLY TO APPRISE CINCENT THAT UNLESS ALTERNATIVE MEANS OF FINANCE CAN BE DEvised IT WILL NO LONGER BE POSSIBLE FOR THE SYSTEM TO SUPPORT SUCEURS MILITARY PLAND. NO OTHER MEMBER COUNTRY OF THE CENTRAL EUROPE PIPELINE SYSTEM IS WILLING TO FINANCE THE SHORTFALL CAUSED BY THE FAILURE OF THE UNITED STATES AUTHORITY TO PAY ITS FULL CONTRIBUTION. THE GENERAL MANAGER OF THE AGENCY, THEREFORE, WILL ON MONDAY, 5TH AUGUST, INFORM CINCENT OF THE MILITARY ASPECT OF THE SITUATION WHICH COULD ARISE.

IT IS ALSO MY DUTY TO INFORM YOUR EXCELLENCY THAT MY COMMITTEE INVITED ME SPECIFICALLY TO STATE THAT IN THEIR VIEW THE FAILURE OF THE UNITED STATES TO MEET THEIR COMMITMENT UNDER THE PRESENT COST SHARING FORMULA IS DIRECTLY RESPONSIBLE
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FOR PLACING IN JEOPARDY THE CONTINUED OPERATION OF THE CENTRAL EUROPE PIPELINE SYSTEM. THE UNITED STATES REPRESENTATIVE, PREDICTABLY, DID NOT SUPPORT THIS DECISION.

I WOULD THEREFORE RESPECTFULLY REQUEST YOUR EXCELLENCY TO CONSIDER, AS A MATTER OF URGENCY, TAKING STEPS TO OBTAIN PAYMENT IN FULL OF THE UNITED STATES SHARE (36.07 PCT) OF CONTRIBUTIONS TO THE CENTRAL EUROPE PIPELINE SYSTEM WITH EFFECT FROM 1ST JANUARY 1974. I SHALL, OF COURSE, IN THE MEANTIME CONTINUE TO URGE THE CENTRAL EUROPE PIPELINE POLICY COMMITTEE TO STRIVE TOWARDS A NEW AND EQUITABLE COST SHARING FORMULA. /S/ HOLDEN. END TEXT.

2. MISSION ASSUMES US POSITION REMAINS AS STATED REF B. GOODBY

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